

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2013-7

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2**
(June 13, 2013)

The Postal Service hereby files its responses to Chairman's Information Request No. 2, issued on June 6, 2013. The Commission's requests are stated verbatim, and are followed by the Postal Service's responses.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2**

1. Please provide, for the most recent 12-month period, your best estimate of the proportion of Insurance revenues associated with competitive mail pieces and the proportion associated with market dominant mail pieces. Provide available documentation and an explanation for any estimates used in preparing this answer.

RESPONSE:

Using data showing the product category of insured host pieces, along with the channel through which the host pieces were purchased, the Postal Service estimates that 85 percent of Insurance revenues are competitive and that 15 percent are market dominant. For this analysis, the Postal Service treated all Standard Post (Parcel Post before January 2013) revenue as competitive.

Though the data does not provide the amount of insurance purchased with each host piece, there is no reason to assume that the average amount of insurance purchased differs significantly between market dominant and competitive pieces. The supporting documentation for this estimate is provided in the excel workbook *InsuredProductCategory.xls*.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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2. Please provide, for the most recent 12-month period, your best estimate of the proportion of Insurance costs associated with competitive mail pieces and the proportion associated with market dominant mail pieces. Provide available documentation and an explanation for any estimates used in preparing this answer.

RESPONSE:

Using data showing the product category of insured host pieces, along with the channel through which the host pieces were purchased, the Postal Service estimates that 85 percent of Insurance costs are competitive and that 15 percent are market dominant. For this analysis, the Postal Service treated all Standard Post (Parcel Post before January 2013) costs as competitive. Though the data does not provide the insurance costs for each host piece, there is no reason to believe that the average insurance cost differs significantly between market dominant and competitive items. The supporting documentation for this estimate is provided in the excel workbook *InsuredProductCategory.xls*.

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3. Please identify where the Insurance costs for market dominant and competitive products are reported.

RESPONSE:

Attributable costs for Insurance are reported as a line item in the Annual Compliance Report. See USPS-FY12-2, Cost Segments and Components, sheet CSSummary, line 42. The costs are not separated by the product category of the Insurance host piece.

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4. Please identify the administrative costs that would be associated with offering \$100 of free automatic insurance coverage to all Priority Mail customers.

RESPONSE:

Based on an assumed claims rate of 0.25%, if every Priority Mail piece received \$100 of insurance coverage (rather than \$50 of coverage for some pieces), the Postal Service's administrative costs would increase by approximately \$77 million. This change is caused by an increase in the amount the Postal Service expects to pay when claims are filed (indemnity costs).

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5. Please identify what types of Priority Mail pieces will not qualify for either \$50 or \$100 of free automatic insurance coverage under the proposal.

RESPONSE:

The only Priority Mail pieces that would not qualify for either \$50 or \$100 of insurance coverage are: 1) pieces that do not bear an Intelligent Mail package barcode (IMpb) or a USPS Retail Tracking Barcode; or 2) pieces sent using Merchandise Return Service, Priority Mail Open and Distribute, or Premium Forwarding Service. These restrictions were mentioned on pages two and three of the Postal Service's Notice of Market-Dominant Price Adjustment, filed on May 10, 2013.